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FISCAL IMPACT STATEMENT

LS 7445

BILL NUMBER: SB 570

NOTE PREPARED: Jan 10, 2011

BILL AMENDED:

SUBJECT: State Deferred Compensation Plan.

FIRST AUTHOR: Sen. Walker

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
☒ **FEDERAL**

IMPACT: State

Summary of Legislation: This bill provides that if an employee does not choose another amount, the state shall, in each pay period during the first year the employee is automatically enrolled in the state's deferred compensation plan (plan), deduct from the employee's compensation the greater of: (1) the maximum amount of any match provided by the state on behalf of the employee to a defined contribution plan; or (2) one-half percent of the employee's base salary; and deposit the amount deducted in the employee's account.

The bill provides that the percentage of an employee's base salary used to determine the employee's contribution increases each year, for five years, by one-half percent from the percentage determined in the immediately preceding year to a maximum of three percent.

Effective Date: July 1, 2011.

Explanation of State Expenditures: *Payroll System Changes-* The State Auditor's office will need to make minor changes to its payroll system in order to implement the changes in payroll deduction. The bill's requirements are within the agency's routine administrative functions and should be able to be implemented with no additional appropriations, assuming near customary agency staffing and resource levels.

Deferred Comp Deduction Amount Changes- The bill changes the initial automatic deduction amounts for the deferred compensation plans for new state employees. The change will not affect state expenditures.

Current statute provides that an amount equal to the administratively determined state matching contribution will be deducted unless the employee chooses a different amount. The bill changes the automatic initial employee deduction during the first year as an employee after June 30, 2011, to be equal to the greater of (1)

the administratively determined state match or (2) 0.5% of the employee base pay per pay period. Prior to CY 2010, the state match had been \$15 per pay period. However, the Governor announced in December 2009 that the state match was suspended beginning January 1, 2010. Consequently, the automatic initial employee deduction amount will be \$0 for current employees and 0.5% for new employees after July 1, 2011, and would increase by 0.5% each year for 5 years to 3.0%, unless the employee chooses a different amount.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected:

Local Agencies Affected:

Information Sources:

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